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2. Today’s Presenters
3. Why Traceability is Important to the Apparel Sector
4. Traceability Technical Solutions for the Apparel Sector
5. A Case Study in Using Traceability
6. Project Ideas and the Way Forward
7. Your Ideas, Q&A
8. Closing Remarks
Questions

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**Example:** *Question for John Doe: What are land rights?*
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Today’s Presenters

Anita Househam, *UN Global Compact*

Tara Norton, *BSR*

Hilde van Duijin, *Organic Cotton Accelerator*

Leslie Johnston, *C & A Foundation*
A Guide to Traceability

https://www.unglobalcompact.org/library/791
Our aspiration

is a fair and sustainable apparel industry in which everyone – from farmer to factory worker – can thrive.

Our mission

is to support and actively drive initiatives which help transform the way the industry works.
About BSR

We are a global nonprofit organization that works with our network of more than 250 member companies to build a just and sustainable world.

How We Work

- Membership
- Advisory Services
- Collaboration
- Research

OFFICES: 8
PROJECT LOCATIONS: 75+
GLOBAL STAFF: 100+
MEMBER COMPANIES: 250+
Sector-wide initiative to enable a **viable business case for organic cotton**, for both producers and the industry.

OCA will do this by:

- **Align sector front-runners** on priority issues
- **Identify systemic and pre-competitive issues**, and design solutions to **jointly** tackle them
- Support sharing and acting upon results and best practices to support **learning**
- **Work with value chain partners** for implementation

“We strive to **build a fair, robust organic cotton market** with **appropriate integrity** at every relevant level, whilst **growing supply and demand**.”

In 2016 and 2017, NewForesight will act as the host organization to OCA

Strategic consultancy **tackling the global and complex sustainability challenges of our time** through:

- **Thought leadership**
- **Strategy development**
- **Sector alignment**

“We make it our mission to **initiate, shape, and drive transformational strategies for sustainability**, in close **collaboration** with our clients and partners”
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The Saying Goes…

“You can’t manage what you can’t measure.”

*Did you know this is a misquote?*

What W. Edwards Deming actually said was:

“The most important figures that one needs for management are unknown or unknowable, but successful management must nevertheless take account of them.”

Individual companies must take account (or “manage”) things that are inherently unmeasurable…

*But how?*
Context
Traceability is increasingly desirable

- In the last two decades, **food safety related issues** and various food scandals in the agriculture sector, such as mad cow disease or the Asian bird influenza, have **highlighted the importance of traceability**.

- The **desire for traceability has extended to multiple industries** from food to include agriculture more broadly, apparel, Information and Communication Technology (ICT), automotive, jewelry sectors, etc.

- **There is an increased interest in and uptake of traceability solutions by apparel sector companies** due to the benefits to the business and sustainability benefits.
Traceability is the ability to identify and trace the history, distribution, location and application of products, parts and materials.

Traceability offers the promise of being able to “measure” complex issues in supply chains…

Source: http://www.praxiom.com/iso-definition.htm#Traceability
The Promise of Traceability…

Better business as usual
- Lower costs
- Reduced lead time
- Greater efficiency

More control
- Security of supply
- Better quality control

Risk and reputation management
- Better capacity to manage risks
- Verification of sustainability claims

Better Compliance
- With existing regulation
- Preparation for future regulation
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The project

C&A Foundation and BSR, in partnership with the UN Global Compact, developed a project to assess the possibilities for creating truly traceable supply chains in the apparel sector.

We sought to answer three main questions:

• What points of apparel supply chains are currently traceable?

• Do real technology solutions exist that can support and drive traceability?

• Where is the best place for the industry to work together to create traceability?
Our Approach

- High level mapping of apparel supply chains
- Apparel sector landscape analysis
- Detailed assessment of technology solutions providers
- Identified opportunities for collaborative traceability projects

Engaged and interviewed apparel brands and their supply chain partners along the way.
Supply Chain Process Map Overview

*A high level overview of the apparel supply chain, with a focus on cotton:*

- **Planning**
  - In-house at brands: Output is a "line plan", which incorporates the overall sourcing and sustainability strategy.

- **Design**
  - Usually in-house at brands; some could be outsourced to agents.

- **Raw Material Sourcing**
  - Outsourced process, usually no direct contractual relationship to brands.

- **Garment Production**
  - Outsourced process, direct contractual relationship with tier 1 suppliers.
  - Steps include:
    - Tier 1: Cut-and-sew factories
    - Tier 2: Finishing, washing, printing, embroidery units (note: could include homework suppliers)

- **Transport & In-bound Logistics**
  - Outsourced process, direct contractual relationship with freight forwarders.
  - Steps include:
    - Packed and shipped from suppliers
    - Freight forwarders
    - Inbound control of goods
    - Ironing, hanging, hanger recycling, packaging preparation
    - Logistics centers for online retail

- **Sales, Use, End-Of-Use**
  - Product gets from inbound logistics centers to points of sale and end customers.
  - End customers use the garment, and at some point dispose of it, either by putting it back into a cycle (for re-use or recycling) or sending it to landfill.

CONFIDENTIAL AND PROPRIETARY
List of Preferred Solutions Providers

In reviewing the overall performance of each traceability solution provider, we identified five technical solutions providers as having the greatest potential for the apparel sector.

<table>
<thead>
<tr>
<th>Provider</th>
<th>Strengths</th>
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<tbody>
<tr>
<td>ChainPoint</td>
<td>Multiple implementations of traceability solutions with apparel companies (individual and collective) including for cotton (Better Cotton Initiative) • Best solution viability score</td>
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<tr>
<td>GT Nexus</td>
<td>Very strong apparel sector engagement including with major international brands and collaborative initiatives like the Sustainable Apparel Coalition • Second best solution viability score</td>
</tr>
<tr>
<td>AmberRoad</td>
<td>History of engagement with apparel companies • Fourth best solution viability score • Proficient at adapting functionality / customization of traceability tool</td>
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<tr>
<td>TraceTracker</td>
<td>Advisor to GS1’s cross-industry (including apparel) traceability working group • Fifth best solution viability score</td>
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<tr>
<td>SourceTrace</td>
<td>The only provider to have partnered with a major brand (Cargill) to develop an innovative traceability solution combining traceability data with big data and other data sources to further sustainability objectives</td>
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Traceability of organic cotton

System development and positioning

10 March 2016
Organic cotton provides many benefits, but the sector itself is at risk

**Sector diagnostic**

Organic as the "golden standard" of sustainable cotton

- Farmer benefits
- Environmental benefits
- Business benefits

**As it is now**

- Demand for organic cotton is on the rise
- Weak farmer business case
- Paper bale certification system
- Lack of transparency in supply chains

**Why this is limiting**

- Uncertainty of supply as farmers migrate out of organic cotton production
- Organic cotton associated with reputational risks and high costs

**Way forward**

**Need for collaborative sector reform!**

- Coordinated investments and actions to improve farmer business case
- Joint action to solve integrity issues
The Organic Cotton Accelerator (OCA) is the new collaborative platform to address the issues the sector is facing.

**OCA strategy**

OCA’s supply program will grow the supply of organic cotton by enabling a viable and attractive business case for organic cotton farming through different interventions in pilot regions in India.

OCA’s demand program will grow the demand of organic cotton by enabling a viable and attractive business case for organic cotton value chain actors, brands and retailers through different interventions.

OCA will strengthen the organic cotton sector by acting as a platform to align all stakeholders in strategy and actions.
OCA will put in place a robust traceability system to ensure organic cotton creates benefits from farmer to customer

Benefits of a traceability system

- Improve business case for supply
  - Farmer differential payment confirmation

- Improve integrity and market transparency
  - Link supply and demand
  - Increase the credibility of claims in the market

- Improve business case for demand
  - Reduce the direct and indirect certification costs

Source: NewForesight analysis based on interviews and desk study
The design and implementation of the traceability IT system will incorporate the success factors identified by OCA brands.

### Success factors traceability system

<table>
<thead>
<tr>
<th><strong>Meaningful</strong></th>
<th>Transparency on differential payment</th>
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<tbody>
<tr>
<td><strong>Credible</strong></td>
<td>Insight into supply chain actors</td>
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<td><strong>Value added</strong></td>
<td>Overview of supply chain certification</td>
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<td><strong>Low cost</strong></td>
<td>Transparency from farmer to ginner</td>
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<td><strong>Accepted</strong></td>
<td>Accessibility of supply chain data</td>
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<td>Increased speed of certification</td>
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<td>Reduced certification costs</td>
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<td>Ease of use for supply chain partners</td>
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<td>Flexibility for (future) integration</td>
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</tbody>
</table>

Designing the traceability system will be a trade off between the five guiding principles:

- Meaningful
- Credible
- Accepted
- Value added
- Low cost

Success factors based on interviews with: C&A, H&M, EileenFisher
The traceability IT system needs to meet functional requirements with regards to supply chain partners, farmer details and claims.

Potential functionalities of the system

**Supply chain**
- ✔ Record different types of companies including their certification status for organic
- ✔ Keep track of the inventory level of each product

**Farmers**
- ✔ Record and manage licensed volumes for a farmer
- ✔ Manage differential payments

**Claims**
- ✔ Record conversion rates, generate warning messages
- ✔ Manage claims
- ✔ Record auditing visit reports
Decision: Next steps and OCA partners involvement

Next steps

**Stakeholder consultation on system requirements**
- Validate functional requirements
- Get input on technical requirements and M&E structure
- Create awareness and support for the system
- Secure involvement in piloting and implementation

**Definition of technical requirements and M&E structure**
- Definition technical requirements based on consultation
- Definition of M&E structure based on desk study and consultation

Not just another system...
The brands and organizations that joined the movement to transform the organic cotton sector (so far...)

**OCA founding partners**

- H&M
- C&A
- EILEEN FISHER
- KERING
- INDITEX
- C&A Foundation
- CottonConnect
- Textile Exchange
Now is the time to act, and build a prosperous organic cotton sector.

More information:
Hilde van Duijn
hilde@organiccottonaccelerator.org

www.organiccottonaccelerator.org

LET’S GROW THE FUTURE TOGETHER
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Collaborative Traceability Projects…

*where do we go from here?*
Can we help to **scale** and **harmonize** existing efforts to develop **traceable cotton supply chains**?

We see opportunities to:

- Scale the Better Cotton Initiative traceability solution
- Provide a traceability tool to the Organic Cotton Accelerator
- Bring these two options together to create a single traceability system for more sustainable cotton

2. Traceable Viscose

*Can we develop traceable viscose and tackle associated deforestation?*

We see opportunities to:

- Develop a traceable raw material supply chain, focusing on a raw material that has different issues from cotton, and where there is a stated need from brands.
- Enable apparel brands and other viscose supply chain actors to verify sustainability claims, particularly with respect to deforestation and environmental degradation.

3. Garment Production Subcontracting

By partnering with existing supplier databases, can we create more visibility of subcontracting relationships in a particular geography?

We see opportunities to:

- Enable apparel brands and other supply chain actors to more readily see how, when and to whom orders are being outsourced or subcontracted.
- Focus on a particular geography to track how orders actually move, and show the actual sourcing patterns.
- Promote the opportunity for suppliers to have a tool that will provide them with a better order management system, to incentivize them to make their subcontracting relationships visible.

4. Map Decentralized Production (Homeworkers)

*Can we create visibility in one of the more opaque parts of the apparel sector supply chain?*

We see opportunities to:

- Map the decentralized production supply chain globally in order to identify various suppliers across countries/regions, while including information on their social performance where available.
- Develop a database of decentralized production suppliers and their social performance, helping apparel brands and other supply chain actors develop more responsible procurement practices.

Your Input: What Does the Sector Need?

• We would like to gather views on which of the traceability project ideas sound the most interesting to you.

• We welcome input now, and also we’d like to ask you to please respond to our survey: https://www.surveymonkey.com/r/traceableapparel
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Thank you for joining us today.
Presentation slides and a recording of the webinar will be available on the UN Global Compact website. (www.unglobalcompact.org)

If you have any additional questions, please contact:
Anita Househam: househam@unglobalcompact.org

Sign-up to the UN Global Compact’s Monthly Bulletin: http://unglobalcompact.org/NewsAndEvents/UNGC_bulletin/subscribe.html
Back-up slides
FOR SPEAKER REFERENCE ONLY
Traceability Models
There are three main traceability models, which offer different approaches to tracking a claim and assuring it at each point in the supply chain.

Collaborative Traceability Schemes

Global collaborative traceability schemes are commodity-focused initiatives, with different scopes, some providing full certification of sustainability attributes through a chain of custody program while others offer more general guidance on traceability.

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Raw Material Sourcing Process Maps

1. Cotton

Inputs: seeds, pesticides
Farming → Traders → Ginning → Traders → Spinning → Weaving, dyeing, knitting
Raw Material Sourcing Process Maps

1. Planning
2. Design
3. Raw Material Sourcing
4. Garment Production
5. Transport & In-bound Logistics
6. Sales, Use, End-Of-Use

2. Leather
   - Bovine Farm
   - Abattoir
   - Tannery

3. Fur
   - Fur Farm
   - Auction House
   - Dresser / Dyer
Raw Material Sourcing Process Maps

1. Wool
   - Sheep Farm
   - Auction
   - Blending / Export
   - Scouring, Carding, Combing, Drawing
   - Finisher Drawing, Spinning
   - Weaving, Finishing

2. Sundries
   - Raw Materials
   - Manufacturing
**Option A: Cotton Traceability**

A prototype or combination of prototypes focused on: 1) scaling the Better Cotton Initiative, 2) providing a traceability tool to the Organic Cotton Accelerator, and/or 3) bringing these two options together to create a single traceability system for more sustainable cotton.

<table>
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<th>Why</th>
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<td>There is an opportunity to enable apparel brands and other cotton supply chain actors to verify their sustainability claims (social, environmental and economic), ensure regulatory compliance, enhance responsible business practices, achieve security of supply, minimize risks, and improve quality and productivity linked to cotton sourcing and production. Brands that wish to procure both “better” and organic cotton would benefit from a single traceability solution combining all data.</td>
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<th>What</th>
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<tr>
<td>1. Provide additional funding and support to the Better Cotton Initiative (BCI) in order to scale the initiative, bringing more apparel brands and relevant supply chain actors on board to use the existing traceability tool.</td>
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<th>Preferred Providers</th>
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<td>2. Partner with the Organic Cotton Accelerator (OCA) to deploy a traceability solution, enabling the tracking of organic cotton from farm to retailer, in support of building a sustainable and prosperous organic cotton market.</td>
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<th>Potential Partners</th>
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<td>3. Combine 1) and 2) to develop one traceability tool for cotton.</td>
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The natural preference would be to work with ChainPoint given that the provider is already working with BCI and experienced in implementing traceability solutions covering all cotton supply chain steps. Nevertheless, all short-listed providers would be approached for quotes.
Option B: Viscose Traceability

A prototype focused on tracing from viscose fabric all the way to raw materials (in this case, wood pulp) to tackle deforestation and achieve various business benefits.

Why

Enable apparel brands and other viscose supply chain actors to verify sustainability claims (particularly with respect to deforestation and environmental degradation), enhance responsible business practices, achieve security of supply, minimize risks and improve productivity linked to viscose fabric production.

1. Partner with the Fashion Loved by Forest initiative, run by Canopy and major apparel brands*, to prototype a traceability solution that can be used for tracing from viscose fabric to wood pulp. One of the commitments of the initiative is to create a shared “knowledge map” of the viscose supply chain to further understand raw fiber flow into fabric, enabling brands to eliminate endangered forest fiber from their clothing within the next three years. A traceability solution prototype would further the achievement of this objective.

2. Work with a handful of leading apparel brands whose sustainability strategies are strongly focused on combatting deforestation linked to their viscose supply chain.

What

Preferred Providers

Potential Partners

Option C: Garment Production Subcontracting

A prototype in collaboration with existing sustainability initiatives to help address labor rights issues linked to garment production subcontracting. The prototype could initially focus on Bangladesh although other countries could become an area of focus depending on company needs.

| Why | Enable apparel brands and other supply chain actors, particularly garment manufacturers, to verify sustainability claims (particularly as concerns labor rights), enhance responsible business practices, achieve security of supply, minimize risks and improve quality and productivity linked to garment production in Bangladesh. Suppliers would especially benefit because they would only have to enter information in one system for multiple customers. |
| What | Partner with apparel companies to deploy a traceability tool that would trace the flow of goods and orders from apparel brands to garment manufacturers and their suppliers (all subcontractors and providers of sundries). This would involve using data compiled by multiple sources: in-house by companies, and by collaborative data collection initiatives and systems. The prototype would need to provide business incentives to garment manufacturers to participate, for instance, using traceability data as a means to achieve better quality and productivity improvements. The suggestion would be to start in one country, such as Bangladesh, where companies and initiatives have already done significant mapping of their supply chains. |

Preferred Providers

Potential Partners
Option D: Mapping Decentralized Production

Map the global supply chain for decentralized production / home working, identifying various suppliers and their social and labor rights performance. While not a traceability tool prototype, this kind of a mapping exercise would be extremely valuable to the market.

Why

Enable apparel brands and other supply chain actors to verify sustainability claims (notably in relation to labor rights, worker livelihoods and women’s empowerment), enhance responsible business practices, achieve security of supply, minimize risks and improve quality and productivity linked to the decentralized production of garments. Many apparel companies have supply chains extending beyond factories to informal settings, for example, for accessories processes. These workplaces are less regulated than factories, exposing workers to greater vulnerability.

1. Map the decentralized production supply chain globally in order to identify various suppliers across countries / regions, while including information on their social performance where available.

2. Develop a data collection system that would serve as a database of decentralized production suppliers and their social performance, helping apparel brands and other supply chain actors develop more responsible procurement practices.

Preferred Providers

BSR would suggest prioritizing engagement with ChainPoint (due to its end-to-end apparel supply chain traceability experience) and SourceTrace (given its history of developing an innovative traceability solution that can combine various types of data as well as data collection experience “in the field”). Nevertheless, all provides would be approached for quotes.

Potential Partners

[Images of various logos representing potential partners]